

REMARKS UPON INVESTMENTS

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interest, are beyond the investor to whom my advice is primarily addressed.

9. The ordinary investor must be content, if he wish to avoid loss, with a moderate rate of interest, say 3½ to 4 per cent. This return is consistent with an investment which frees him from anxious and supervising care (of course, the rate will be higher upon mortgages, which will be discussed in the next chapter). I shall also show him in a succeeding chapter how to calculate the return derivable from a security standing at any price, whether it be of a redeemable or irredeemable nature. [I here refer to *permanent* securities.]

I am not an admirer or acceptor of the thoughtless dictum that high interest necessarily implies inferior security. Aphorisms of this cheap and idle nature abound in every department of life. An investment may yield a larger return than the average rate on the grounds (1) that it is a security which is not open or known to many investors, but has been discovered by men of exceptional sagacity, knowledge and opportunities of inquiry. The demand, consequently, being thus limited (since so few are acquainted with the security in question, or possess sufficient practical capacity to deal profitably with it) the return is, in the order of things, increased : it constitutes the reward of superior ability or courage; and (2) the transaction may involve considerable risks but also excessive profits if it succeed, and is only suitable, therefore, to capitalists of extensive resources and large ramifications of organisation, so that here, again, the absence of competition enhances the remuneration.

But, for the usual investor, the rate I have mentioned should be adequate, if he be a man of wisdom. It is pitiful to recall the vast amount of money which has been engulfed in the quagmires of delusive finance through pursuit of the deceptive lights which allure the chase. The metaphor is, perhaps, not of the happiest, but the moral is clear.

I remember that an investment was once submitted by one of the ablest men

of business I have ever had the happy fortune to know : it confidently promised 15 per cent, and this promise was based upon statistics, technical advices, and investigations of the closest and minutest kind.

The investment was accepted largely by very competent